



Metro Bank Holdings PLC

People and Remuneration Committee

Terms of Reference

Revision history:

Approved by the Board	25 July 2023
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PEOPLE AND REMUNERATION COMMITTEE

Terms of Reference

Version 1

1 CONSTITUTION

Metro Bank Group (the “Group”) consists of Metro Bank Holdings PLC (the “Holding Company”) and its subsidiaries. The Holding Company Board of Directors (the “Board”) has established a Committee of the Board, known as the People and Remuneration Committee (the “Committee”), with Terms of Reference as set out below.

2 MEMBERSHIP

- 2.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. The Committee shall be made up of at least three members, all of whom shall be independent non-executive directors. The Chair of the Board may be a member, if they were considered independent on appointment, however they cannot chair the Committee.
- 2.2. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Chief People Officer and external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary. Other Non-Executive Directors are welcome to attend Committee meetings and have a standing invitation.
- 2.3. Appointments to the Committee shall be for a period of up to three years which may be extended for up to two additional three-year periods provided members remain independent.
- 2.4. The Board shall appoint the Committee Chair who shall be an independent non-executive director. The Committee Chair should have served on a remuneration committee for 12 months before appointment. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Committee Chair.
- 2.5. Where possible, the Committee should have cross-memberships with the Nomination Committee and the Risk Oversight Committee.

3 SECRETARY

The Company Secretary of the Holding Company or their nominee shall act as the Committee Secretary and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4 QUORUM

- 4.1 The quorum necessary for the transaction of business shall be two.

- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 4.3 Notwithstanding the quorum requirements for the Committee, all members of the Committee should endeavour to attend all meetings of the Committee at which matters of general remuneration policy, nomination policy or the contents of any externally published report or disclosures are considered.

5 FREQUENCY OF MEETINGS

The Committee shall meet at least four times a year and otherwise as required.

6 NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chair or any of its members or at the request of external or internal auditors if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7 MINUTES OF MEETINGS

- 7.1 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance.
- 7.2 The Committee Secretary shall record any conflicts of interest divulged at the meeting.
- 7.3 Minutes of Committee meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board unless in the opinion of the Committee Chair it would be inappropriate to do so.

8 ANNUAL GENERAL MEETING

The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

9 DUTIES

The Committee should carry out the duties detailed below for the Holding Company and the Group, as appropriate.

The Committee shall:

Remuneration Policy, Governance and Risk

- 9.1 Determine and agree with the Board a formal and transparent framework and broad policy for the remuneration of the Holding Company's Chair, its Executive Directors and such other Group senior management as the Committee deems appropriate. Senior management for this purpose should be determined by the Board but at a minimum will include the first layer of management below Board level of Metro Bank PLC. The Board itself or, where required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. No director or colleague shall be involved in any decisions as to their own remuneration;
- 9.2 The policy approach should cover all elements of remuneration (fixed and variable) and include pension entitlement, termination payments and shareholding guidelines.
- 9.3 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Financial Reporting Council's UK Corporate Governance Code (the "**Code**") and associated guidance. The objective of such policy shall be to:
- support strategy and promote long term sustainable success;
 - ensure that executive remuneration is aligned to the Group's purpose and values, and is clearly linked to the successful delivery of the Group's long-term strategy;
 - enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums or share awards under appropriate specified circumstances;
 - attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders;
 - have regard to the risk appetite of the Group and alignment to the Group's long term strategic goals; and
 - reflect the Group's culture and values, which include enabling positive outcomes for customers.
- 9.4 When setting remuneration policy and determining remuneration for Executive Directors and senior management within the Group:
- review and have regard to pay and employment conditions across the Group, and the alignment of incentives and rewards with the Group's culture, especially when determining annual salary increases; and

- consider the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- 9.5 Review the ongoing appropriateness and relevance of the Remuneration policy.
 - 9.6 Determine the policy, term, objectives and content of, Executive Director and senior manager service contracts and regularly review these contracts to ensure that they remain within the terms of the agreed policy in consultation with the Chair, having regard to the choice of financial, non-financial and strategic measures and exercising independent judgement and discretion when determining remuneration awards, taking account of Group and individual performance, and wider circumstances.
 - 9.7 Review and note annually the remuneration trends across the Group and the banking industry.
 - 9.8 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Bank but within any budgetary restraints imposed by the Board. However, the Committee should avoid designing pay structures based solely on benchmarking to the market or on the advice of remuneration consultants.
 - 9.9 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
 - 9.10 To provide oversight of the Bank's Senior Manager and Certification Regime ("**SMCR**") delegation framework, including appropriate competencies for all in scope Colleagues and succession for MRT and Certified Roles.
 - 9.11 Seek advice from the Chief Risk Officer, and where appropriate the Chair of the Risk Oversight Committee, on risk and risk adjustment as it applies to executive remuneration and remuneration of Colleagues as a whole.
 - 9.12 Keep under review the regulatory requirements of the PRA, FCA and EBA which relate to work of the Committee as set out in Appendix A.
 - 9.13 Agree the Non-Executive Director expenses policy for the Group.

Executive Directors' and Senior Management Remuneration

- 9.14 Within the terms of the agreed policy, the Committee shall determine and approve for the Holding Company's Chair, Executive Directors, and such other senior executives as the Committee deems appropriate (but at a minimum including the executive committee of Metro Bank PLC and any Group Material Risk Takers ("**MRT**")):

- individual fixed remuneration (salary, allowances, pensions, benefits and other components if any) and the subsequent level of any increases
- short term and long-term incentive arrangements
- shareholding requirements including post-employment shareholding requirements
- contractual terms including joining and termination arrangements

9.15 In determining remuneration packages and arrangements and pension arrangements, the Committee shall take into account all factors which it deems necessary including relevant legal and regulatory requirements, including (but not limited to):

- (i) the provisions and recommendations of the Code and associated guidance;
- (ii) the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and associated guidance; and
- (iii) Regulatory requirements, including any applicable rules and guidance issued by regulatory bodies.

9.16 In authorising any remuneration outcomes, exercise independent judgement and discretion when taking account of Group and individual performance, and wider circumstances.

9.17 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

Variable Remuneration Design and Structure

9.18 Approve the design of, and determine targets for, any performance-related reward schemes operated by the Group for the benefit of Executive Directors and senior managers and approve the total annual payments under such schemes.

9.19 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, Senior Management and other plan participants and the performance targets to be used.

All Colleague Remuneration and Other People Related Activity

9.20 Oversee any major changes in employee benefits structures throughout the Group.

9.21 Review Colleague remuneration and related policies.

9.22 Seek feedback from the Designated Non-Executive Director for Colleague Engagement regarding engagement with Colleagues on remuneration and other matters as appropriate.

- 9.23 Oversee the Bank's Diversity & Inclusion strategy, including reviewing appropriate Diversity & Inclusion data.

10 REPORTING RESPONSIBILITIES

- 10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.
- 10.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Companies (Miscellaneous Reporting) Regulations 2018, and the UK Corporate Governance Code as updated from time to time, are fulfilled and produce a report of the Holding Company's remuneration policy and practices to be included in the Holding Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report of the Holding Company's remuneration policy should identify such consultants and state whether they have any connection with the Holding Company or individual directors.
- 10.4 Through the Chair of the Board, ensure that the Holding Company maintains contact as required with its principal shareholders about remuneration.

11 OTHER MATTERS

The Committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 11.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members, and on an on-going basis for all members.
- 11.3 Give due consideration to laws, regulations and any published guidance or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as investor guidelines published by the Investment Association and similar bodies and any other applicable rules.
- 11.5 Be authorised by the Board to seek any information it requires from any colleague of the Group in order to perform its duties.

11.6 Arrange for periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11.7 Work and liaise as necessary with other Board committees.

12 AUTHORITY

12.1 The Committee is authorised by the Board to obtain, at the Group's expense, outside legal or other professional advice on any matters within its terms of reference.

APPENDIX A – Additional provisions in light of Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) remuneration requirements

In light of applicable PRA and FCA remuneration rules, the Committee shall:

1. Review annually the Group's remuneration policies, procedures and practices to satisfy itself that such policies and practices:
 - a) comply with the PRA and FCA remuneration rules;
 - b) are consistent with and promote sound and effective risk management and take into account all types of risk, liquidity and capital levels;
 - c) are consistent with the Company's business strategy, objectives, culture, values and long-term interests (including the long-term interests of shareholders, investors, other stakeholders and the public interest);
 - d) include measures to avoid conflicts of interest; and
 - e) promote equality of opportunity, diversity and inclusion and avoid unconscious bias.
2. Receive an independent internal annual report on the design and implementation of the policies and practices for compliance with the UK remuneration rules and internal policies and risk culture.
3. Review the Remuneration Policy Statement, any other reports on remuneration for the PRA or FCA and the annual CRR remuneration disclosure before they are sent or published.
4. Review and approve the approach to the identification of MRTs as well as the related list of MRTs and any exclusions.
5. Review and approve the policies and practices on performance adjustment, risk-adjusted performance in calculating the bonus pool, and performance adjustment in respect of individual awards, including the triggers under which adjustment takes place.
6. In relation to control functions, periodically consider whether remuneration policies and practices enable colleagues engaged in control functions to be remunerated in such a way as to support the attraction of qualified and experienced staff and in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas which they control.
7. Receive periodic reports on scenario analysis undertaken to determine how remuneration policies and practices react to external and internal events, including the results of back tests on the criteria used for determining variable remuneration and risk adjustment based on actual risk outcomes.